



U.S. Department of State

FY 2000 Country Commercial Guide: Slovenia

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Chapter I Executive Summary

This Country Commercial Guide (CCG) presents a comprehensive look at the Republic of Slovenia's commercial environment, using economic, political, and market analysis. The CCGs were established by recommendation of the Trade Promotion Coordinating Committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. embassies through the combined efforts of several U.S. government agencies.

While current events in the region indicate a long, slow, and painful recovery to economic and political normalcy within the international community for its neighbors, Slovenia has been a star performer since 1991, registering dramatic gains in per capita and aggregate wealth, establishing a stable and well-functioning democracy, and raising the standard of living for Slovenes to a level on par with the economically smaller Western European countries. The European Union and NATO have recognized it as a front-runner in the race for membership to both institutions - although it was denied NATO entry in the most recent expansion - and it has been acknowledged by international institutions as a broad success.

This success is in large part based on a rich set of pre-existing conditions which positioned Slovenia extremely well for transition, and as the marginal returns of these post-1991 conditions diminish, Slovenia is increasingly faced with the challenging prospect of completing its reform program. Slovenia is currently in the midst of a major push to align its political and economic systems with European Union requirements, which has both contributed to the robustness of the Slovenian economy and has made it a more attractive venue for foreign investment.

The last half of 1998 and the early months of 1999 have been productive and important ones for Slovenia in terms of economic reform. A number of high profile laws have been passed to ease burdens placed on foreign investors, improve access to capital at home and abroad, and strengthen the legal and regulatory framework that supports Slovenia's active private sector. Although progress has been somewhat halting, the government continues to affirm its strong desire to complete the privatization of several large state holdings, including the last two large banks, the telephone monopoly, and other energy and transport facilities.

President Clinton's visit to Slovenia in June 1999 underscored the strong relationship between Slovenia and the United States. Slovenia is considered by the United States to be in many ways an important model of economic success and political stability for its neighbors to the south. The Slovenes are anxious to maintain good relations with the United States and the EU as well and Slovenia is sure to play a leadership role in the reconstruction of the Balkan region as that effort gains strength.

As the new millennium approaches, Slovenia has significant work to do in completing the reforms necessary to join the EU and create an attractive space for investment and continued economic growth. In the past twelve months many of the conditions have been established to allow Slovenia to take advantage of its unique location and economic position to propel itself into an even greater role on the world stage. With continued and accelerated action by the government, particularly in the areas of administrative, regulatory, and other public sector reform, the future for Slovenia looks very positive.

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Chapter II Economic Trends and Outlook

Major Trends and Outlook

Slovenia's recovery began in 1993, as it completed the process of reorienting its trade away from the troubled region to its south and toward Central and Eastern Europe. Since that time, growth has averaged about 4 percent annually. Slovenia's openness to trade (with total trade equivalent to about 115 percent of GDP) has been instrumental in perpetuating this growth, and maintaining export competitiveness has consistently been at the focus of policymakers' attention. Throughout, Slovenia's budget and current account have been in rough balance, and inflation has been on a steady, if sometimes slowing, downward trend.

The Slovenian economy grew 3.9 percent in 1998, just slightly below analysts' original predictions of 4.0 percent. Unlike 1997, the healthy GDP growth in 1998 was partially fueled by a boost in domestic demand, while export demand slackened, due to residual effects of the Asian and Russian financial crises. Total exports grew at a 6.8 percent pace, but an increase of almost 10 percent in imports assured another trade deficit of \$775 million (4 percent of GDP). The Slovenian services balance shrank, due primarily to a falloff in demand for tourism services, and was not large enough to stave off a negligible current account deficit of \$3.8 million (less than 1 percent of GDP).

Real growth in government consumption remained level around 5 percent, led by a 12.9 percent boost in transfers to the business sector and an 11 percent increase in investment expenditure. Public wage growth and social transfers were kept in check, acting as a drag on total public consumption.

Consumer prices rose by 6.5 percent (end-year inflation) in 1998, down from an 8.8 percent rise in 1997. Analysts point to the strong tolar, increased domestic competition, and price liberalization as keys to the lower inflation rate. Regulated prices (which contribute 17 percent of the CPI basket) rose by almost twice as much as free market prices, but their 12.2 percent increase was still down from 1997.

The rate of registered employment registered a 0.1 percent increase - from 14.4 percent in 1997 to 14.5 percent in 1998. When measured according to ILO standards, unemployment was lower (7.7 percent) but rose more rapidly - up from 7.4 percent in 1997. Of greater concern, especially in light of Slovenia's interest in compliance with EU employment directives, is the increasing share of structural unemployment in the total ranks of the unemployed.

With an eye toward slippage in export demand from the EU - Slovenia's primary markets - analysts expect a slowdown in growth next year, with a current estimate of approximately 3.5 percent. This lag combined with the after-effects of 1998's drop in tourism will be outweighed by a further increase in investment, forecasted at 7 percent for 1999.

Principal Growth Sectors

Most major sectors posted growth again in 1998. Production of consumer durables rose by 9.8 percent. Services provided almost half of the value added to all commercial companies, and agriculture's contribution to value added rose by 2.2 percent.

Of particular concern is the drop recorded in tourism in 1998. Overnight hotel stays were down as was the total number of tourists to visit Slovenia. As tourism has been a prop for the Slovenian service balance, which has served to counteract the growing trade deficit, it will remain a vital sector for the economy. Forecasts for next year suggest that this sector may continue to shrink due to instability in the region.

Net profits in manufacturing soared from SIT 2 billion in 1997 to SIT 28.7 billion in 1998, driven by a 27 percent decrease in real net losses. In 1998, productivity rose in manufacturing due to an increase in production, as opposed to previous years in which employment reductions had played the primary role in boosting productivity levels. The sector may face difficulty maintaining competitiveness with the combined real appreciation of the tolar and decreasing unit labor costs in important foreign trading partners.

Government Role in the Economy

Slovenia has a relatively large public sector, accounting for roughly half of total output. This is illustrated most clearly by the public accounts, which show the overall tax burden in 1998 stood at 40.5 percent of GDP, while expenditures reached 46.3 percent. That said, virtually all prices in Slovenia are determined by market forces, and the government plays a relatively minor role in allocating savings among sectors of economic activity. Its influence is greatest in allocating licenses to operate in certain highly-regulated sectors and in public procurement at all levels of government.

General government revenue increased in 1998 by 6.1 percent compared to 1997. Social security contributions were up 4.1 percent and the government benefited from two new taxes - one on the balance sheet totals of banks and savings banks and the other a special reconstruction tax - which together provided SIT 8.6 billion, or 0.6 percent of total revenues. The terms of the Association Agreement between the EU and Slovenia led to a reduction in customs revenues by 25 percent from 1997.

On the expenditure side, total real expenditure was up 5.2 percent but a tight fiscal policy led to a slowdown in the real rise of public sector wages (1.7 percent) and social transfers. Most significant was growth in public investment, reaching a high equaled in 1994 of 2.8 percent of GDP.

Overall the government balance in 1998 was a deficit of SIT 18 billion, or 0.6 percent of GDP, a decrease from the 1.1 percent deficit of 1997.

Thanks primarily to the boost in tax and non-tax revenues the government brought the deficit well under 1 percent of GDP, the original goal at the end of 1997.

Balance of Payments Situation

Slovenia posted a negligible (0.02 percent of GDP) current account deficit of \$4 million at the end of 1998. The trade deficit of \$775 million was mitigated by positive balances in services and factor services but as both of these surpluses declined, the current account slipped slightly from its small overall surplus in 1997.

Both imports and exports grew in 1998, thanks to improved foreign demand and the rise in domestic industrial and manufacturing production. The EU remained the primary market for Slovenia's trade, with over 65 percent share of exports and almost 70 percent of imports. Austria, Germany, Croatia, France, and Italy held their positions as Slovenia's top trading partners. The United States' share of total Slovenian exports continued its steady decline since 1994, with a decrease from 2.9 percent to 2.8 percent of the total export structure. Imports from the United States declined as well, from 3.0 percent to 2.9 percent. These totals made the United States Slovenia's eighth largest trading partner in 1998.

The counterpart capital and financial accounts showed a net outflow of \$204 million in 1998, up by \$64 million from 1997. Two primary factors caused the increase in net outflow:

- foreign direct investment in 1998 was down almost 50 percent from 1997, at \$165 million, although this was somewhat mitigated by a decrease in Slovenian direct investment abroad, from \$25 million in 1997 to \$11 million in 1998.
- borrowing from abroad decreased while net commercial loans jumped by \$250 million.

Infrastructure

Slovenia's infrastructure is relatively well-developed, and the government is investing ever more in it in an effort to take full advantage of the potential Slovenia's geographic, trade, and cultural setting offer. Construction of highways is a top priority, with \$4 billion earmarked for 700 km of highways to be completed by the year 2000. Upgrading Slovenia's rail links will command an additional \$2.5 billion by the year 2005, with priority given to the five (east-west) and ten (northwest-southeast) corridors. The extensive rail system links the Slovenian port of Koper, one of the largest in the region, to all neighboring countries; construction of a direct railroad from Koper to Hungary is in the planning stages. The port of Koper serves as the principle port for Austrian and Hungarian exporters and as an essential port for Czech, German, and Slovak exporters. The port has 20 berths on 2,284 meters of operative quays, 55 hectares of open storage, and over 250,000 square meters of closed warehouses and numerous specialized warehouses.

In information technology, Slovenia has been at the forefront of the Internet revolution, with the highest concentration in Europe of Internet connection per inhabitant or per server. Slovenia is well-served by its telecommunications infrastructure, with a second GSM service provider joining the front-runner Mobitel, which currently covers about 95 percent of the market, in 1998. In classical telecommunications, the national

monopoly, Telekom Slovenije, will invest about \$700 million in expansion and modernization, in preparation for full privatization by 2003.

Chapter III Political Environment

Slovenia is a parliamentary democracy and constitutional republic. Within its government, power is shared between a directly-elected President, a Prime Minister, and a bicameral legislature (Parliament). Parliament is composed of a National Assembly (which takes the lead on virtually all legislative issues) and a National Council. The Constitutional Court has the highest power of review of legislation to ensure its consistency with the Slovene Constitution.

The present government is a "grand coalition," with the leftist Liberal Democratic Party (LDS) sharing power with the rightist, rural-based People's Party (SLS). Although this cohabitation suffered "teething pains," leading to delays in adopting and passing legislation necessary for EU accession and slowed the pace of tertiary economic reforms, it shows every sign of finishing out its full mandate (i.e., until fall, 2000). To its credit, the government has put its most serious disagreements behind it and has agreed to put its most critical legislation on a fast track. With certain exceptions pertaining to the influence of former elites, a relative consensus prevails about priorities. Most of the Slovenian polity shares a common view of the desirability of a close association with the West, specifically of membership in both the European Union and NATO.

In 1998, local elections for mayors and city councils of Slovenia's 192 municipalities (obcine) were held. The results showed strong gains for Slovenia's foremost party, the Liberal Democrats. However, if experience is any guide, these elections tend to have only weak predictive strength.

November, 1998 also saw the EU's progress report on candidate members' progress in fulfilling the requirements for membership. Slovenia's ranking at the bottom of the list provoked severe criticism of both government and Parliament and called, successfully resisted, for ministers' resignations. The accelerated procedures referred to above are likely to enable Slovenia to enjoy a significantly better report this year.

The high point on the political calendar for 1999 was the visit of President Clinton to Ljubljana in June and his speech to the Slovenian public from history Congress Square. Coming at the conclusion of the NATO operation in Kosovo, Clinton was able to thank Slovenia for its support in that operation and to point to Slovenia as the Former Yugoslavia's success story and a suitable model for the region. As part of that visit, the U.S. and Slovenia signed four major agreements in the fields of taxation, export financing, non-proliferation of weapons, and science and technology.

For all the apparent bitterness that divides left and right wings, there are few fundamental philosophical differences between them in the area of public policy. Slovene society is built on consensus, which has converged on a social-democrat model. Political differences tend to have their roots in the roles that groups and individuals played during the years of communist rule and the struggle for independence.

Slovenia enjoys excellent relations with the United States and cooperates with it actively on a number of fronts. It presently occupies a non-

permanent seat on the UN Security Council, and in that capacity has distinguished itself with a constructive, creative, and consensus-oriented activism. Slovenia has been a member of the United Nations since May 1992 and of the Council of Europe since May 1993. Slovenia is also a member of all major international financial institutions (the International Monetary Fund, the World Bank Group and the European Bank for Reconstruction and Development) as well as 40 other international organizations, among them the World Trade Organization, of which it is a founding member.

Chapter IV Marketing U.S. Products and Services

Distribution and Sales Channels

Several distribution channels are open for U.S. goods to enter the Slovenian marketplace, including wholesaling and retailing, as well as franchising, joint ventures, and licensing.

There is a large number of merchants, agents, intermediaries, wholesalers and retailers available in Slovenia. Since 1990, when the transition to a market economy began, foreign trade ceased to be the exclusive domain of a few specialized companies. Today, any firm may now carry out both foreign and domestic trade.

Use of Agents and Distributors, Finding a Partner

For handling distribution, a carefully chosen local agent or distributor can be much more efficient and cheaper than direct sales by a U.S. exporter not familiar with the Slovenian market. Reliable and capable potential partners can be found, but care needs to be exercised. Most trading firms are newly-established, with only a few years of experience, while former "socially-owned" trading companies are being privatized and restructured.

Due to the high cost of borrowing and a general lack of working capital, failure to pay suppliers promptly is a growing problem in Slovenia. Therefore, U.S. firms are advised to obtain a confirmed letter of credit as a basis to conduct business with a new local partner. Dun & Bradstreet's agent in Slovenia (phone: 386/61/1332076; fax: 386/61/1333105) or the Slovenian Chamber of Commerce (phone: 386/61/1898102; fax: 386/61/1898100, attn: INFOLINK Office) may be helpful in determining the creditworthiness of a potential local partner.

The following are some well-known American companies that have local agent/distributor or representative offices: Goodyear, Merck, Sharp & Dohme, Coca-Cola Amatil, UPS, IBM, Nike, DHL, Philip Morris, Oracle, Hewlett Packard, 3M, Microsoft, Air Routing International, Pfizer, Wrigley, Deloitte & Touche, Eli Lilly, Ford and many others.

Franchising

McDonald's, Atlas-American Express, Dairy Queen, and Diners Club are the best-known U.S. franchises in Slovenia. McDonald's has opened 10 restaurants during the last three years, but most of them are direct investments; only two are under franchise. There are no other American franchises in Slovenia, although a lot of European companies have established outlets in the market.

Direct Marketing

Direct marketing is not well-developed in Slovenia: Selling of mailing lists of individuals is not common, and mail-order houses are rare. Amway is the only U.S. direct marketing company with an office in Slovenia.

Joint Ventures/Licensing

In addition to founding their own companies, foreigners can also invest in existing companies. In companies in which partners' shares are not in the form of securities (i.e., private companies and limited-liability companies), investments may take place with the agreement of the partners and by joining in the partnership agreement. Takeovers of joint-stock companies are much more frequent and depend less on partner-shareholders because partners' shares are in the form of securities and are quoted on the Stock Exchange as such. (Shares of closed companies are an exception.)

Takeovers of companies are possible through mergers or acquisitions regulated by the Law on Commercial Companies. These require the approval of the management board. In takeovers of companies in the narrow sense, bidders address their tenders directly to shareholders, either with or without the approval of the management board. Takeovers in this sense are not specifically regulated, so the provisions of the Law on Commercial Companies and the Law on the Securities Market should be used reasonably. Takeovers are possible both for public companies whose shares are quoted in the market and for private companies through direct offers to shareholders. If the company conducting a takeover acquires a controlling interest in the other company, it is obliged to so inform the issuer of shares, the Securities Market Agency, and the Stock Exchange within seven days of the date that it is apparent that they hold a controlling number of shares. The issuer who has received such a notice must publish it publicly within ten days in daily newspapers or on the premises of the Stock Exchange (Official Gazette no. 47/97).

Both domestic and foreign legal and natural persons may freely conclude all types of commercial contracts (agency contracts, distribution contracts, license contracts, etc.). Slovenian legislation does not stipulate several different permits and other administrative procedures for the performance of individual foreign trade transactions or contracts. In addition, contractual parties in international legal transactions may select the law that will regulate their mutual relationships and the court (arbitration tribunal) of competent jurisdiction that will hear disputes.

Steps to Establishing an Office

In conducting business in the Republic of Slovenia, foreign companies have the same rights, obligations and responsibilities as domestic companies. The principles of commercial enterprise, free operation, and national treatment apply to the operations of foreign companies as well. Their basic rights are guaranteed by the Law on Commercial companies and the Law on Foreign Transactions (the right to manage or participate in the management of companies in proportion with invested funds; the right to transfer contractual rights and obligations to other foreign and domestic natural and legal persons; the right to participate in profits in proportion with invested funds and the right to free transfer and

reinvestment of profits; the right to recover investments in companies and their share in net assets after the dissolution of companies).

However, restrictions are placed on foreign investments in certain sectors of strategic or other special significance. Foreigners cannot establish their own companies in the following areas: manufacture and sale of arms and military equipment, pension and medical security insurance. These limitations regarding individual activities are statutorily defined; certain limitations have been eased, above all by allowing for the possibility of foreign investments but their share may not exceed a specific percentage which would enable them to have a controlling interest in companies in these sectors.

In Slovenia, foreigners may establish any legal-organizational form provided for in the Law on Commercial Companies (limited-liability companies, joint-stock companies, limited partnerships with share capital, limited partnerships, general partnerships, and silent partnerships). All companies acquire the status of a legal person upon their entry into the court register. Prior to the entry into the court register, a number of formalities must be performed. Upon deciding to establish a company it is therefore beneficial to consult a lawyer as soon as possible to prevent unnecessary difficulties which may arise during the process of founding the company (from adopting the memorandum and articles of association to their certification by a notary public and entry into the court register).

Foreigners may be exclusive or part owners of companies.

Companies established in such manner have rights, obligations, and responsibilities in legal transactions in the territory of the Republic of Slovenia equal to those of domestic companies.

Selling Factors/Techniques

Shopping hours in Slovenia are between 8AM and 8PM. Most stores are open on Saturday mornings; only a very few are open on Sundays. Most Slovenian consumers prefer to pay in monthly installments, even for low cost goods. Other factors/technologies critical to success are close and frequent contact with buyers, motivated and trained intermediaries, and aggressive market promotion.

Advertising and Trade Promotion

All normal channels for advertising are available and are widely used in Slovenia: newspapers and magazines, television and radio, outdoor billboards/signs, etc. Other promotional techniques such as sales promotion, public relations, and trade fairs are also common. The major newspapers are: Delo, Dnevnik, Slovenske Novice, and Vecer. The major business journals are: Finance, Gospodarski vestnik, Manager, Podjetnik, and Slovenian Business Report.

Pricing Products

The level of prices in Slovenia is generally very high due to high costs of labor and lack of competition in some areas. Most prices are determined by the market. The prices of gasoline, energy, natural gas, railway transport, telecommunications, milk, and some other products are set by the government. The government may also influence the pricing policies of companies under its direct or indirect control.

Sales Service/Customer Support

Sales service and customer support are relatively undeveloped as a marketing tool in Slovenia.

Selling to the Government

The procedure used by state agencies and state controlled companies for purchases is prescribed by the Decree on Procurement of Goods, Works, and Services published in the Official Gazette no. 24/1997. Prices of Slovenian companies can be 10 percent higher compared with prices of foreign competitors. In cases where a foreign supplier is selected, it has to import Slovenian goods of equal value. Slovenia is not a signatory to the WTO agreement on government procurement.

Protecting Your Product from IPR Infringement

Slovenia has a comprehensive legal framework which provides protection for intellectual property rights. Slovenia has signed the WTO Uruguay Round Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS) and has implemented those commitments. The number of intellectual property complaints has been quite low, although U.S. industry in particular has raised some concerns about the pace and breadth of action taken by the government against infringement.

Industrial property rights (patents, designs, trademarks and service marks, and appellations of origin) can be protected in Slovenia by their registration at the Slovenian Intellectual Property Office (phone: 386/61/1783054; fax: 386/61/1783110). A list of Slovenian patent attorneys is available from the Patent Office (phone: 386/61/1264012; fax: 386/61/1264079).

Slovenia is a party to: the Convention Establishing the World Intellectual Property Organization, the Agreement on Trade-Related Aspects of Intellectual Property Rights, the Paris Convention for the Protection of Industrial Property, the Madrid Agreement Concerning the International Registration of Marks, the Nice Agreement Concerning the International Classification of Goods and Services for the Purposes of the Registration of Marks, the Locarno Agreement Establishing an International Classification for Industrial Designs, Hague Agreement Concerning the International Deposit of Industrial Design, the Patent Cooperation Treaty, the Berne Convention for the Protection of Literary and Artistic Works, the Rome Convention for the Protection of Performers, Producers of Phonograms and Broadcast Organizations, the 1973 Geneva Phonograms Convention, and the Brussels Convention Related to the Distribution of Program-Carrying Signals Transmitted by Satellite.

In case of IPR infringement, a U.S. company should hire a local attorney, who can then pursue the matter in the local commercial court.

Need for a Local Attorney

Slovenia does not recognize U.S. legal accreditation, and regulations regarding licenses to practice in-country are restrictive. Some Slovenian law firms can conduct business in English and are familiar with U.S. law. A list of English-speaking law firms is available at the U.S. Embassy in Ljubljana.

Performing Due Diligence/Checking Bona Fides of Banks/Agents/Customers

A few firms operating in Ljubljana can assist in performing the important task of due diligence on potential Slovenian partners. These include:

I Poslovne informacije d.o.o. (Dunn & Bradstreet's agent in Slovenia)
Zrinjskega cesta 4
1000 Ljubljana
Tel: 386-61-133-2076
Fax: 386-61-133-3105
Marko Batista, Director

Creditreform d.o.o.
Dunajska cesta 21
1000 Ljubljana
Tel: 386-61-131-4320
Fax: 386-61-131-3019
Alfred Zemen, Director

Intercredit, d.o.o.
Cankarjeva cesta 3/III
1000 Ljubljana
Tel: 386-61-125-9065
Fax: 386-61-125-9130
Milos Varga, Director

Chapter V Leading Sectors for U.S. Exports and Investment

Slovenia's legacy of worker self-management continues to be felt in the economy. The high degree of decentralization of this model and its tendency to discourage flow of resources out of declining firms and into growing ones has led to a high degree of diversity in all sectors. These performance disparities are likely to disappear as the privatization process reaches its conclusion and resources are allocated more efficiently among sectors. For the time being, however, it is difficult to identify specific sectors where growth is likely to be concentrated. Given the cost of factors, the characteristics of viable businesses of the future will probably include: moderate to low reliance on manual labor input; moderate to low use of real estate; and "environmentally friendly" undertakings.

The following are the non-agricultural sectors where the American Embassy Ljubljana estimates there are prospects for significant sales growth:

Automobiles/Light Trucks/Vans (AUT): In Slovenia approximately 80,000 new cars will be sold (a new sales record). The French manufacturer Renault holds the largest market share; its Revoz factory in Novo Mesto has given it the status of a domestic producer with a very diversified sales and service network. German Volkswagens and Italian Fiats are also popular. In the last few years Korean producers such as Hyundai and Daewoo have established themselves in the Slovenian market, mainly due to the favorable prices. The leading company in sales of vans is Mitsubishi, followed by Volkswagen and Renault. In Slovenia approximately 600,000 tires are sold each year. The largest market share is held by the trademark Sava, followed by Michelin, Semperit, and Goodyear.

Defense Industry Equipment (DFN): The Slovenian armed forces must transform from a conscripted, territorial defense-based force into a professional force with regional responsibilities. In June 1996 the arms embargo against Slovenia was lifted, and the Slovenian military has plans for an ambitious program of defense procurement. An equipment fund of about \$1.2 billion is available for procurement over the next ten years.

Electrical Power Systems (ELP): The government's vision for the energy sector is outlined in its "Strategy of Efficient Use and Supply of Slovenia" which was approved in 1995. Based on high and low demand forecasts, four supply scenarios to 2010 have been prepared. They have been produced using three sets of basic assumptions: high and low rates of economic growth, larger and smaller investments in energy conservation and efficiency, and different supply options.

Increased hydro-electric power generation is one of the strategic objectives of the government's energy policy. The capacity to generate an additional 1.5 TWh of electricity by 2010 is planned, but this requires that 70 percent of the potential sites for development are exploited. Further upgrading on the upper stations of the Sava river are planned along with new plants on the lower course. Five additional new plants are projected for the Sava river to be commissioned every 2 years from 1998 onwards. Feasibility studies are underway for small additional run-of-river and storage plants in several places and for exploitation of other renewable energy sources. These renovations would increase the capacity by 151 MW, and together with new plants, 358 MW of hydro capacity will be added to the system by 2010.

Plans for conventional thermal power generation are based on maintaining production at existing plant locations and building facilities at new sites, primarily for combined heat and power generation. Investments will be required to improve pollution control to meet environmental standards, to increase rapid response and peaking capacity, and for renovation of control systems at existing plants. The government also foresees the construction of new oil-fired capacity. One 68 MW oil-fired plant at Brestanica should be commissioned before 2005. A second plant with a capacity of 143 MW is scheduled for completion at 2010.

For the transmission and distribution system, investment plans up to 2010 include the modernization of the national dispatching and local distribution control centers, renovation of the transmission grid, better control of reactive power in the system and the completion and renovation of the east-west 400 kV transmission lines with a connection to Hungary and a 400 kV substation.

Realization of all these projects depends on implementation of the government's goal to increase electricity tariffs to levels that cover costs. Lack of financial resources has postponed these priority investment projects for a number of years.

The main change in this sector in 1999 will be the implementation of the new Energy Law which passed the first hearing in the Parliament and was submitted for second reading in July. This law will break the monopoly which has lasted for more than 50 years and allow companies to buy electricity in the European market.

Financial Services (FNS): Banking licenses are confirmed by the Bank of Slovenia (BS). By the end of April 1998, 30 banks held such a license, of

which 28 were operating. The BS issues licenses in four categories. The broadest license for performing all business and investment banking services is held by seven banks: Banka Koper, Banka Vipava, Gorenjska Banka, Nova Ljubljanska Banka, Probanka, SKB Banka, and Slovenska Zadružna Kmetijska Banka. Some banks have merged recently, and new mergers have been announced. Banks in Slovenia with a major foreign ownership are Bank Austria & Creditanstalt, Volksbank, and Bank Societe Generale. The largest banks in Slovenia are: Nova Ljubljanska Banka, SKB Banka, Nova Kreditna Banka Maribor, Banka Koper, and Banka Celje.

In 1997, the Government of Slovenia completed the restructuring needed to privatize the two remaining state-owned banks: Nova Ljubljanska Banka -- the largest in the country -- and Nova Kreditna Banka Maribor -- Slovenia's number three bank. The process for privatization of these two state-owned banks now appears to favor a series of transactions whereby state shares in both NLB and NKBM will be reduced to 65 percent by the end of 1999. An ownership stake of approximately 10 percent will go to filling the "privatization gap" (i.e., the excess value of privatization vouchers issued over capital available to purchase with them), while the rest would be sold in floatations on both domestic and foreign markets. The next phase of privatization, which will involve strategic (and possibly foreign) investors, will await general elections in the fall of 2000.

A number of recent law and regulation changes are directing Slovenian financial service in a more globalized direction. Foreign credit deposit requirements have been reduced to zero, charges for custodial accounts for foreign portfolio investors have been eased even as the holding period has been radically reduced to one year. New legislation also eases the range of stockbroking activities and further opens that activity to foreign enterprises.

Telecommunications Equipment (TEL), Telecommunications Services (TES): Modernization and expansion of local telecommunications facilities is an ongoing activity of the state-controlled national telecommunications provider, Telekom Slovenije (TS). According to the Association Agreement between Slovenia and the European Union, the telecommunications sector has to be fully open by the end of 2000. The TS now holds a monopoly over fixed voice telephony. All other telecommunications fields are open to competition according to the Law on Telecommunications adopted in May 1997. Because supporting legislation to comply with the new law still need to be passed, real competition may come slowly.

In April 1999, a second GSM operator began operations in Slovenia. (The other license permitted under the Telecommunications Law was allocated to the current GSM operator, Mobitel.) The government is expected to announce a tender for two licenses for GSM 1800 Mhz in the year 2000 and is also considering expanding other telecommunications services, including advanced satellite services.

Telekom Slovenije is 73 percent owned by the state, which intends to sell around 20 percent of its share to a strategic partner end 1999/ early 2000 and another 20-30 percent by 2003. The government is likely to select its partner on the basis of its ability to help TS maintain its leading position in the market.

Computer Hardware (CPT): There are no reliable statistics on market data for Information Technology sector in Slovenia. Information is based on permanent work on IT sector and estimates of IT businessmen. All hardware market in Slovenia is estimated at USD 190 million. The PC share in the last five years was high, because of increasing performance of pcs and increasing number of new companies in Slovenia. Mini computers share is small, while big companies build their information systems on mainframes. All major American IT companies have been present in Slovenia since the 1960's. Approximately 60,000 PC units are sold annually. Fifty percent is local production, i.e. assembling of generic PCs. Among imported computers, the vast majority is of American origin. Only a small market share goes to European (mainly PCs) or Japanese producers (mainly printers). There is no local production of printers.

The Slovenian hardware market is very competitive and comparable to the one in Western Europe. The only difference is that it is slightly differently composed, i.e. many small IT companies have managed to keep control of small business segments. Imports and exports of hardware are very liberal. No customs duties are imposed to imports. Distribution follows the usual model of distribution in the developed world and fully depends on particular vendors.

Top vendors have strong subsidiaries in Slovenia or have built firm relations with existing domestic computer companies. Because of strong American presence, all major IT contests usually attract and are won by American companies or their distributors.

Computer Software (CSF): There are no reliable statistics on market data for Information Technology sector in Slovenia. Information is based on permanent work on IT sector and estimates of IT businessmen. The entire software market in Slovenia is estimated at USD 70 million. The vast majority represents legal sales of major world software vendors. One fifth of the sum goes for applications software. There are some considerations about copyright legislation, which tends to be good; the critical issue is, however, its (slow) enforcement. Illegal use of software is similar to the situation in the rest of Eastern Europe. The so-called gray imports of top PC software vendors give some problems to official players in the market. Trends are the same as in the developed countries. Imports and exports of hardware are very liberal. No customs duties are imposed to imports. A principle of distribution follows the usual model of distribution in developed world and fully depends on particular vendors. Top vendors have strong subsidiaries in Slovenia or have built firm relations with existing domestic computer companies. Because of strong American presence, all major IT contests usually attract and are won by American companies or their distributors.

Chapter VI Trade Regulations and Standards

Trade Barriers, Including Tariffs, Non-Tariff Barriers, and Import Taxes

Slovenia has a relatively open trade regime, reflecting a view in officialdom of the importance of trade in overall economic liberalization and competitiveness. As of 1997, the weighted average tariff rate applied to most-favored nations (MFN) was 10.7 percent. In addition, Slovenia has concluded a number of new free trade agreements and further liberalization has occurred, notably that related to the Association Agreement with the EU. The effective rate of protection is calculated to be 3 percent -- down from 36 percent prior to liberalization.

In 1999, Slovenia adopted a temporary change in its trade regime permitting it to reduce its MFN tariff rate in step with its bilateral tariff reduction vis-a-vis the EU. The government intends to make such stepwise reductions a permanent feature, culminating with the wholesale adoption of the EU's Common External Tariff (CXT) upon EU accession. The effect of this measure will be to limit the disadvantages third country (including U.S.) exporters will face selling into the Slovenian market in advance of EU accession, as well as to limit disruption to individual sectors a discontinuous adjustment to the CXT would cause.

Customs rates are generally defined by law according to the following categories: 0-5 percent for raw materials; 5-10 percent for semi-finished products; 8-15 percent for equipment; and 15-27 percent for finished products or consumer goods. Import levies are payable upon the importation of most agricultural and food products. Levies are not charged if the agricultural or food product is exempt from duties pursuant to the Customs Law. These levies are also not payable on imports of products from countries with which Slovenia has signed bilateral trade agreements.

Customs Valuation

The primary basis for customs valuation is ad valorem on the transaction value of the goods, i.e., the price paid or the price that is to be paid for the goods to be imported, including all duties and taxes paid outside Slovenia.

Import Licenses

Ninety-eight percent of imports are free of quantitative restrictions. A few categories of goods are restricted by import quotas, and in some sectors importation is restricted by permits or licenses;

- o Textiles and textile products are imported through a quota system;
- o Import licenses are required from the competent ministry for the import of drugs and some chemicals, waste products and raw materials, articles of cultural heritage, gold, waste and scrap of precious metals and coins, nuclear reactors and weapons;
- o A quality certificate is required for the import of some animals, meat and vegetables, and other food products.

Export Controls

Most technology can be exported from the United States to Slovenia under general export licenses. Some equipment still requires validated export licenses from the Bureau of Export Administration and/or Department of State.

Slovenia levies a special export tax on the export of strategic raw materials -- 10-20 percent on lumber, timber, and scrap raw materials.

Import/Export Documentation

A Slovene importer/exporter is responsible for providing the required import/export documentation, which consists of common trade, transport and customs documents, as well as certificates required for quality control and licenses where appropriate. For foods, a phyto-sanitary certificate or veterinary certificate as well as ecological control may be required.

The Ministry of Agriculture and Forestry and the Ministry of Health are responsible for the control of food products.

Temporary Entry

Slovenia is a signatory to the ATA Convention on Temporary Imports and Exports. Products may be imported into Slovenia on a temporary basis and be totally exempted from customs duties in various cases, of which most important are the following:

- o Goods to be released into free circulation exempted from customs duty under the Customs Act;
- o Goods temporarily imported for exhibitions or testing, if the foreign owner has made them available free of charge and for a specific period of time;
- o Animals, instruments, requisites and other items required for artistic, sports, or other events and the production of motion pictures;
- o Packaging materials; freight and security equipment, etc. required for the delivery or dispatch of foreign-owned goods;
- o Equipment for governmental and non-governmental international or bilateral organizations, or international or bilateral commissions, with seat in the customs territory, or having representative office with seat in the customs territory;
- o Equipment required to avert imminent danger of epidemics, elementary or other natural disasters or to mitigate the immediate consequences of such disasters;
- o Yachts, sailing ships, and other sea vessels with accessory floating moorings and anchoring equipment, if they are used for sport and tourism, on condition that they are temporarily imported by companies or individual entrepreneur registered for rental of foreign yachts, sailing ships, and other sea vessels on the basis of contracts concluded with foreign sport clubs and their associations, permitting them to rent them to foreign tourists, members of these clubs, and their associations for use in Slovenia;
- o Household items temporarily imported by domestic and foreign natural persons entering Slovenia for a temporary sojourn;
- o Equipment which is temporarily imported by permanent correspondents or editorial offices of foreign media registered in the customs territory.

The time limits for temporary imports are established on the basis of the purpose for which goods are temporarily imported, but may not exceed a period of 12 months.

Labeling, Marking Requirements

The following labeling information must be in Slovenian on the original package of products that are subject to quality control: title of the product; full address of the importer; net quantity/weight/volume; as well as information, where applicable, regarding ingredients; use and storage instructions; and other warnings important for the customer. Technically complicated products also have instructions for use, the manufacturer's specifications, a list of authorized maintenance offices, warrant, and other applicable data. All this information must be in Slovene and attached to each product before reaching customers.

A form ("FORM A") is issued by the Chamber of Economy to prove the Slovenian origin of goods for preferential treatment of goods according to preference schemes. Certificates of the Slovenian origin of goods issued by customs authorities and a declaration given by the exporter on an invoice (i.e., an invoice declaration) are used to assert preferential customs treatment.

Prohibited Imports

None.

Standards

The Standardization Act provides for a new approach to the determination of the legal nature of standards and technical regulations. According to this Act, standards do not become a binding requirement unless so designated by a competent ministry. Slovenia intends to harmonize its standards regime with European Union legislation. Free movement of goods will be ensured by the introduction of comparable procedures for evaluation of conformity, conditions for mutual recognition of documentation, and prevention of double testing and certification. For the time being, Slovenia still applies regulations (except regulations on compulsory standards) on the basis of the former federal (Yugoslav) Standardization Act.

Goods and services imported for sale in Slovenia typically must comply with prescribed standards and technical regulations and be certified. Certification is usually carried out by an authorized institution. Where there is no authorized institution for the certification, the Standards and Metrology Institute of the Republic of Slovenia will issue a certificate. Certificates issued abroad are valid in Slovenia if the issuing authority and the local issuing institution have signed an agreement on the mutual recognition of certificates. A health, veterinary, phytosanitary, or ecological control is obligatory for individual types of products such as foodstuffs and animals.

Technical instructions and a written guarantee statement and, if necessary, instructions for use must be enclosed with technical goods and consumer durables imported into Slovenia. In addition, the importer must guarantee the servicing of products and supply of spare parts. A declaration consisting of the name and type of product, name of manufacturer and other prescribed data should be affixed to the product. The documents and the declaration must be written in the Slovenian language.

If a contract with a foreign person, the regulations of a foreign country, or a bilateral or international agreement prescribe that goods to be exported or imported be shipped with documents certified by a competent authority, the Chamber of Economy of Slovenia or an authorized customs organization is the competent authority. If the regulations of the country in which the documents are to be used stipulate that the documents have to be issued by a state body, the Ministry of Foreign Affairs is the competent issuing authority in the Republic of Slovenia.

Information on particular Slovenian standards and about products that have to be certified can be obtained from the Slovenian Standards and Meteorology Institute (phone: 386/61/1312322; fax: 386/61/314882).

Free Trade Zones/Warehouses

Free trade zones (FTZs) are part of Slovenia's customs zones. Slovenia's FTZs are located in Celje, Ljubljana, Maribor, Nova Gorica, Sezana, and Koper.

According to the Free Trade Zones Act, from May 1998, FTZs may be used by domestic and foreign entities. The applicant to use a FTZ shall meet the following requirements: at least 51 percent of the turnover in the FTZ must be generated by the export of goods manufactured and services performed in the FTZ; activities in the FTZ shall be a new line of business for the company; the total number of company's employees must be increased by doing business in the FTZ; persons founding a new company or a new branch office in the FTZ must have paid all taxes and customs duties.

The following activities may be performed in an FTZ: production and service activities; wholesale; banking and other financial services; insurance and reinsurance of persons and property; as well as retail for other users in FTZs. Goods can be moved free of restrictions into FTZs and may be stored there for an unlimited duration. Goods brought into FTZs are duty-free. Goods or products of these goods can then be exported duty-free. The goods or products of these goods can also be imported into Slovenia. In such case, customs or other duties are normally payable on the importation of goods to Slovenia, as are storage costs and costs of other procedures concerned with the goods' processing in the FTZ and which are not part of the customs base.

Equipment intended for carrying out activities in FTZs as well as spare parts, tools, and accessories for the equipment are exempt from customs duties for as long as they remain in the FTZ. (This does not hold for office furniture, office equipment, and other administrative facilities, and motor vehicles that are not intended for exclusive use in FTZ.) Sales tax is not charged on equipment and raw materials entering FTZs on the condition that the equipment or materials are used for the production of goods for export.

Profit tax amounts to 10 percent. A tax deduction in the amount of 50 percent of the invested sum is offered for investments in tangible assets in the FTZ. The taxable income of companies in the zone shall be reduced by the amount equal to 50 percent of salaries paid to the trainees and other staff who have been registered as unemployed for at least six months.

Special Import Provisions

None.

Membership in Free Trade Arrangements

Slovenia acceded to the General Agreement on Tariffs and Trade (GATT) in September 1994 and was a founding member of the World Trade Organization (WTO). In January, 1996, Slovenia became a member of the Central European Free Trade Agreement (CEFTA) and assumed the CEFTA presidency in 1997. On June 10, 1996, Slovenia signed an Association Agreement with the European Union. Slovenia also has entered into free trade agreements with the following: European Free Trade Agreement (EFTA); Croatia, Israel,

Liechtenstein, Lithuania, Latvia, Estonia, Bulgaria, FYR Macedonia, Romania, Ukraine and Turkey.

Chapter VII Investment Climate

A.1 Openness to Foreign Investment

The Slovenian view of foreign investment has been evolving in recent years. Once widely considered a threat to Slovenian culture and the national interest, foreign investment is increasingly seen as a means to import not only needed savings, but modern technology and "best practices" as well. 1999 has been in particular an important year in improving the climate for foreign investors.

In February 1999, several key changes to the company law came into effect. The new law abolishes the earlier requirement that general managers be Slovenian citizens, and the requirement that a majority of the board of directors of Slovenian companies be Slovenian citizens.

The new law also lowers the threshold at which foreign investment is considered FDI from 50 percent to 10 percent ownership. Consequently foreign investors above the 10 percent threshold avoid the government's custody account regime which applies to certain portfolio investments. This regime has also been reformed (see A.6).

Despite these improvements, a number of practical impediments to increased flows exist. These include relatively restrictive takeover legislation, Slovenia's protracted post-privatization structural reform program, a lack of attractive sites and difficulty in procurement of land, and a business culture in which personal relationships (typically among Slovenians) continue to predominate. While the above-mentioned policies geared to stemming disruptive capital flows, including foreign loan deposit requirements and restrictions on foreign portfolio investment, have been eased, they still tend to complicate investment decisions.

In the 1993-97 period, cumulative inflows (stock) of foreign direct investment grew from \$954 million to almost \$2.1 billion. However, in 1998 the annual inflow of FDI dropped considerably, from \$321 million in 1997 to \$165 million, half of which represents a single investment agreed in 1997. It is clear that in addition to their indirect effects on the Slovenian trade balance, the Asian and Russian financial crises damaged investor confidence and played a role in this negative trend. However, this role was less important than the role played by the structural problems described above, which were the government's primary stimulus in carrying out significant reform in 1998 and early 1999.

Most observers expect this trend to reverse, as the process set in motion by Slovenia's privatization program matures and legislation required for EU harmonization improves competition, eases restrictions on capital flows, and simplifies the tax code. We also expect the increase of foreign investors in Slovenia to encourage a business culture that demands better regulation, more transparency, improved accounting standards, and enhanced government accountability. This, combined with Slovenia's consistently high labor productivity, should make Slovenia a more attractive locus for foreign investment.

Slovenia offers national treatment, has attractive tax features, and allows for free profit repatriation. In terms of legislation, all

business activities within Slovenia are open to foreign investors, although some limitations on share ownership exist in certain sectors, such as broadcasting, communications, insurance, and rail or air transport.

A.2 Conversion and Transfer Policies

Slovenia has been an adherent of Art. VIII of the IMF Article of Agreement since September 1, 1995, committing it to full current account convertibility, thus allowing, among other things, full repatriation of dividends. In practice, to repatriate profits, joint stock companies must provide: evidence of settlement of tax liabilities; notarized evidence on distribution of profits to shareholders; and proof of joint stock company membership. All other companies need to provide: evidence of settlement of tax liabilities and the company's act of establishment.

For the repatriation of shares in a domestic company, a company must submit to the authorized bank the company's act of establishment, a contract on share withdrawal, and evidence of settlement of tax liabilities.

A.3 Expropriation and Compensation

According to Article 69 of the constitution of the Republic of Slovenia, the right of possession of immobile property can be taken away or limited, with compensation in kind or with financial compensation under conditions determined by law on the basis of public interest.

There are no current investment disputes in Slovenia. National law gives adequate protection to all investment. Under Article 5 of Slovenia's Foreign Investment Law, a foreign investor has the right to have his investment, other than money, returned to him on his demand, and if it is so provided in the contract of investment, to have his money invested in a company returned to him on demand.

There is an ongoing dispute with those whose property was expropriated by the communist Yugoslav government after World War II. Slovenian denationalization law allowed for claims to be submitted in 1991. Around 200 U.S. citizens filed claims, while the total number of claimants exceeded 46,000. None of the claimants was a U.S. citizen at the time of the expropriation. After about one-third of the total property had been returned, legal complications slowed implementation of the law. New legislation to balance the rights of the original owners with those of individuals and firms that have made improvements with the property was passed in 1998 and reaffirmed by the Constitutional Court that year. Its two key provisions 1) would allow some cases already settled to be reopened under certain conditions and 2) would factor property value at the time of expropriation into the claim process. If a property has increased in value, then the original owner would have to pay the difference to reclaim the property. Conversely, if the property value has declined, then the state would have to pay the owner the difference.

A.4 Dispute Settlement

Slovenia is a signatory to the 1958 New York Convention on Recognition of Foreign Arbitral Awards and the 1961 European Convention on International Commercial Arbitration.

Legal System

Slovenia has a well-developed, structured legal system. It is based on a five-tier court system: district court, regional court, appeals court, supreme court, and administrative court. These courts deal with the vast array of legal cases in Slovenia including criminal, domestic relations, land disputes, contracts, and other business-related issues and probate. A separate social and labor court also has a regional court, appeals court, and supreme court. These courts deal strictly with labor disputes, pensions, and other social welfare claims. Similar to most European countries, Slovenia also has a Constitutional Court which deals with complaints alleging violations of human rights and personal freedoms, expresses the court's opinions over conformity of international agreements and state statutes with the constitution, and deals with other high profile political issues. Also in keeping with European legal standards, in 1997 the Slovene parliament created an administrative court to handle disputes between local authorities, between state and local authorities, and between local authorities and executors of public authority.

The Parliament passed a new Law on Legal Proceedings in July 1999 to speed up the court proceedings process. The new Law stipulates a stricter and more efficient procedure for serving court documents and providing evidence. For commercial cases, defendants are now required to file their defense within 15 days of receiving notice of a claim.

Arbitration

Unless the parties have agreed to binding arbitration for disputes, the regional court specialized in economic issues has jurisdiction over business disputes. However, the parties may agree in writing to settle disputes in another court of jurisdiction.

The parties may also exclude the court as the adjudicator of the dispute if they agree in writing that contractual disputes be solved by arbitration, whether ad hoc or institutional. In the former case, the applicable procedure and law must be determined. In the case of institutional arbitration, the type of arbitration must be clearly defined. The Permanent Court of Arbitration within the Chamber of Economy is an independent institution that solves domestic and international disputes arising out of business transactions among companies.

The procedure before the Permanent Court of Arbitration at the Chamber of Economy of Slovenia is governed by the Regulations on the Procedure before the Permanent Court of Arbitration at the Chamber of Economy of Slovenia. Arbitration rulings are final and subject to execution.

Bankruptcy

In Slovenia, the law provides for three procedural methods in the handling of bankrupt debtors. The first method, Forced Settlements, allows the insolvent debtor to submit a plan for financial reorganization with the Court. The Forced Settlement Plan is then voted upon by the creditors and must be accepted by creditors whose claims represent more than sixty percent of the creditors claim. If the forced settlement is accepted, the debtor is excused from the obligation to pay the creditor the amount which exceeds the percentage of payment set forth in the confirmed settlement. The payment terms are then extended in accordance with the conditions of forced settlement. Confirmed forced settlement affects creditors who have

voted against forced settlement and creditors who have not reported their claims in the forced settlement procedure.

The second method, bankruptcy, may be initiated by either the creditor or debtor. The court names a bankruptcy administrator who sells the debtor's property according to the instructions and supervision of the president of the bankruptcy senate. The debtor's property, as a rule, is sold by public auction. Otherwise, the creditors' committee may proscribe a different mode of sale such as collecting offers or placing conditions for potential buyers. The legal effect of completed bankruptcy is the ending of the debtor as a legal person, and the funds created from the sale of assets are distributed among the creditors according to the extent of their claims, i.e. the ratio of each claim to the total debt.

The third method, bankruptcy as forced liquidation, is distinguished from voluntary liquidation (without court intervention) as set forth in the Law on Commercial Companies. Forced liquidation is performed on a debtor, for whom the law determines his liquidation procedure, and the legal conditions for ending his existence. For example, if the management does not operate for more than twelve months, if the court finds the registration void, or by court order.

Competition is keen in Slovenia, and bankruptcies are an established and reliable means of working out firms' financial difficulties.

A.5 Performance Requirements/Incentives

No performance requirements are imposed as a condition for establishing, maintaining or expanding an investment.

However, one impediment for foreign investors is the difficulty in obtaining business and working visas. Business visas are required for management positions and working visas are required for general staff positions. Typically, visa applications are processed in three weeks, but in some instances may take up to six months.

A.6 Right to Private Ownership and Establishment

Private enterprise and ownership are promoted and protected in Slovenia, both by statute and the constitution. As provided for in the Law on Commercial Companies, all business activities within Slovenia are open to domestic and foreign natural and legal persons. The Foreign Investment Act permits foreign investors to establish wholly or partially owned companies in any legal form provided by the Commercial Companies Act (Limited, General, and Silent Partnerships; Joint Stock Companies, Limited Liability Companies, and Partnerships Limited by Shares; and Economic Interest Groups). The Foreign Investment Act provides foreign investors with the right to enter contractual joint ventures, which allow the investor to participate in the management of the company and to share in the profits. Foreign investors may freely invest into Slovenian companies, but to complete a 100 percent takeover of a Slovenian company, the foreign company first must register with the Slovenian courts. Foreign investors are permitted to obtain concessions for the exploitation of renewable and non-renewable natural and public goods.

There are some restrictions on foreign investment in certain business operations. Wholly-owned foreign companies are not permitted to operate businesses in the fields of military supply and insurance. Majority

foreign-owned insurance companies may not engage in re-insurance. Some business endeavors are restricted by maximum foreign investment limits: 49 percent in auditing companies, 33 percent in publishing and broadcasting, and 20 percent in investment companies that deal with the management of investment funds. In all other fields, however, foreign investors enjoy national treatment.

Another important improvement in the new Banking Law is the removal of the requirement for foreign investors to receive approval for any investment in a Slovenian bank. Previously local citizens were required to report any investment which would acquire a stake greater than 15 percent while foreign investors were required to report all investments. Now foreign and domestic investors face the same reporting requirements.

Any company registered in Slovenia is granted the status of a Slovenian legal entity under which they enjoy national treatment. This provides for equal treatment between foreign and domestic companies; foreign investors are treated legally the same way as domestic companies and enjoy the same rights and obligations as domestic Slovenian companies. The registration process is rather simple and usually takes between three weeks and one month to complete. Foreign-owned companies are entitled to own property in Slovenia (non-EU natural persons are at this point prohibited from owning land). While the law provides for this right, some foreign companies have experienced unexplainable delays in obtaining land even though all the necessary paper work has been in order. Registered foreign-owned companies may even be members of the Ljubljana Stock Exchange.

Foreign shareholders are entitled to free and unrestricted transfer of their profits abroad in foreign currency, providing they meet their tax obligations. The 25 percent corporate tax rate in Slovenia applies to domestic and foreign companies and is among the lowest rates in Europe.

Credits, guarantees between residents and non-residents are regulated by the Foreign Exchange Act. The law differs between commercial and financial credits.

Commercial credits are considered credits relating to trade and rendering international services which involve a resident as one of the contracting parties. Commercial credits also include contractual trade credits (deferred payments and/or advances) and their financing by banks. Commercial credits also include factoring operations, on the condition that the underlying operations from which the claims arise have the nature of commercial credits.

All others are financial credits, including mortgage-backed and consumer loans as well as financial leasing operations.

All credit transactions, except commercial credits with payment delay or prepayments less than 12 months, have to be in written form and contain all obligatory parts of the credit business.

Authorized banks undertake credit operations with non-residents for their own account and in their own name or in their own name and for someone else's account. Residents other than banks undertake credit operations with non-residents for their own account and in their own name. Residents must make a report on all credit operations with non-residents to the Bank of Slovenia.

In February 1999 the Bank of Slovenia changed its regulations regarding foreign borrowing. Previously local borrowers had been required to deposit 10 percent of the worth of a loan from abroad in a non-interest bearing account at the Bank of Slovenia if the term of the loan was greater than 7 years, and to deposit 40 percent of the loan if the term was less than 7 years. The Bank of Slovenia has effectively reduced the percentage required for set-aside to zero. The Bank of Slovenia currently maintains the authority to reimpose the deposit requirement in special cases for up to 30 percent of the loan and a term of up to two years, but this authority will expire on September 1, 1999.

The Law on Banking passed in January also allows foreign banks for the first time to establish branch offices on Slovenian soil.

On September 1, 1999 regulations will take effect which reduce from four years to one year the period during which foreigners who make portfolio investments may not sell those securities. At the same time, the new regulations lower the cost of fiduciary accounts which foreign portfolio investors are required to maintain. Previously banks charged 2.5 percent of total invested capital for portfolio investments (any investment resulting in less than 10 percent ownership), while the new regulation will reduce that charge to 0.7 percent. Plans are also in place to further liberalize purchase of foreign equities by Slovenes.

A.7 Protection of Property Rights

Mortgages

In the Republic of Slovenia, there is no law, statute or regulation that specifically deals with mortgage banking services. However, the government has committed itself to creating a mortgage banking system, including property assessments and deeds, rather than the current Land Registry system. Currently there are no special mortgage banks in Slovenia. Accordingly, Slovenian banks do not grant mortgage loans per se, but provide loans which are secured by mortgages. Loans secured by mortgages are very often used for loans, granted most often to corporate clients and entrepreneurs and less often to private individuals.

In order for mortgages to be effective against any owner of real estate, the mortgage on a particular real estate must be registered in the Land Registry Book at the Land Registry Office. The Land Registry Book was introduced within the present territory of Slovenia in the 19th century and serves to put the general public on notice of the owner of land, buildings and parts of buildings. Within the legal system, the Land Registry Book is connected in part with substantive civil law which regulates default procedures on real estate.

Generally, the financing of real estate developments by mortgages is uncommon in Slovenia. Mortgages are used strictly as collateral for corporate financing of development projects. The creditor requires the debtor to own, in equity, three times the amount of the loan. Once the mortgage is consummated between the creditor and debtor, it is then registered in the Land Registry Book. If the mortgagor defaults on the loan, the law provides for a foreclosure procedure on the mortgaged property.

Intellectual Property

Slovenia has enacted highly advanced, comprehensive legislation for the protection of intellectual property which fully reflects the most recent intellectual developments such as the TRIPS Agreement (Trade Related Aspects of Intellectual Property) and various EU directives. Slovenia negotiated its TRIPS commitments as a developing country and is implementing its commitments as of January 1, 1996. Slovenia is a full member of the TRIPS Council of the World Trade Organization and the World Intellectual Property Organization.

The 1995 Copyright and Related Rights Act deals with all fields of modern copyright and related rights law, including traditional works and their authors, computer programs and audiovisual works, as well as rental and lending rights. The act also takes into account new technologies such as storage and electronic memory, original databases, satellite broadcasting and cable re-transmission.

Slovenian intellectual property law is compatible with European Union standards, with only a few exceptions. According to its EU accession strategy, Slovenia still must harmonize the duration of the protection of audio-visual productions and introduce Supplementary Production Certificates.

The 1994 Law on Courts gives the District Court of Ljubljana exclusive subject matter jurisdiction over intellectual property disputes. The aim of the law is to ensure specialization of the judges and the speed of relevant proceedings. There have been minor complaints, though, by foreign investors regarding the speed of the court system. Considering the TRIPS Agreement's enforcement provision, Slovenian law provides for a number of civil legal sanctions including injunctive relief and the removal of the infringement, the seizure, and the destruction of illegal copies and devices, the publication of the judgment in the media, compensatory and punitive damages, border (customs) measures, and the securing of evidence and other provisional measures without the prior notification and hearing of the other party. Furthermore, these infringements also constitute a misdemeanor with a minimum fine of 400,000 SIT (approx. \$2,500) for legal persons and a minimum fine of 80,000 SIT (approx. \$500) for natural persons, provided that the reported offenses are not criminal in nature. In such a case, the Slovenian Criminal Code would apply, which may result in fines or imprisonment in extreme cases.

Since the enactment of the Law on Copyright and Related Rights Act, there have been relatively few reported prosecutions for infringement violations. Most notably are cases of computer software piracy. In 1997, 25 cases were prosecuted for intellectual property related criminal offenses, including audio, video, and software piracy. Since piracy prosecution is still in the early stages of implementation, Slovenia has dedicated resources to the training of prosecutors and public authorities. As part of its strategy for accession to the European Union, Slovenia also intends to address the preservation of evidence in infringement procedures and border measures by amending existing legislation. Moreover, the Ministry of Culture recently established the Intellectual Property Fund, the Slovene Copyright Agency, and the Anti-Piracy Association of Software Dealers (BSA) to combat the problem of piracy in a collective manner.

Patents and Trademarks/Licensing

The Law on Industrial Property grants and protects patents, model and design rights, trademark and service marks, and appellations of origin.

The holder of a patent, model, or design right is entitled to: exclusively work the protected invention, shape, picture, or drawing; exclusively market any products manufactured in accordance with the protected invention, shape, picture, or drawing; dispose of the patent, model, or design right; prohibit working of the protected invention, model, or design and legal transactions in respect of them, by any person not having his consent.

The holder of a mark has the exclusive right to use the mark in the course of trade to designate his products or services. The authorized user of a protected appellation of origin has the right to use the appellation in the course of trade for marking products to which the appellation refers.

The patent and trademark rights granted by the Law on Industrial Property take effect from the date of filing the appropriate applications. Patents are granted for twenty years from the date of filing and model and design rights are granted for ten years. Trademarks are granted for ten years, but may be renewed an unlimited number of times. The term of an appellation of origin is unlimited. All patents and trademarks are registered through the Slovenian Intellectual Property Office with all registers open to the public. Patent and trademark applications filed in member countries of the International Union for the Protection of Industrial Property are afforded priority rights in Slovenia. The priority period is twelve months for patents and six months for model and design rights.

Any person who infringes upon a patent or trademark right may be held liable for damages and prohibited from carrying on the infringing acts.

The Law on Industrial Property also provides for the contractual licensing of patents, model and design rights, and marks. All license agreements must be in writing and specify the duration of the license, the scope of the license, whether the license is exclusive or non-exclusive, and the amount of remuneration for the use if compensation is agreed upon.

Compulsory licenses may be granted to another person when the invention is in the public interest or the patentee misuses his rights granted under the patent. A misuse of a patent will occur when the patentee does not work or insufficiently works a patented invention and refuses to license other persons to work the protected invention or imposes unjustified conditions on the licensee. If a compulsory license is granted, the patentee is entitled to compensation.

Although Slovenian industrial property legislation complies with EU standards, Slovenia's accession strategy focuses on aspects of its implementation. In particular, Slovenia must address the exhaustion of trademarks, particularly in the pharmaceutical sector.

A.8 Transparency of the Regulatory System

In conducting business in the Republic of Slovenia, foreign companies have the same rights, obligations and responsibilities as domestic companies. The principles of commercial enterprise, free operation, and national treatment apply to the operations of foreign companies as well. Their basic rights are guaranteed by the Law on Commercial Companies and the Law on Foreign Transactions.

Generally, the bureaucratic procedures and practices are sufficiently streamlined and transparent for the foreign investor wishing to start a business in Slovenia. In order to establish a business in Slovenia, the foreign investor must produce a sufficient minimum amount of capital, 4.1 million SIT (approx. \$24,500) for a stock company and 2.1 million SIT approx. \$12,000) for a limited liability company; establish a business address; and file appropriate documentation with the court. The entire process may take from three weeks to one month, and may be longer in Ljubljana due to the court's backlog. Previously, the registration process took one year, but Slovenia has made great efforts to reduce the delay.

Slovenia signed a double tax treaty with the U.S. in June 1999. The rate of taxation of profits in Slovenia is lower than in the United States. Slovenia introduced the Value Added Tax in July 1999.

Despite these difficulties, Slovenia continues to improve and update its laws dealing with foreign investors. As Slovenia moves closer to joining the EU, it will have to accept and implement business practices and laws that are "foreign friendly" and abolish any discrimination that may exist against the foreign investor.

Protection of Competition

The Law on the Protection of Competition prohibits acts that restrict competition on the market and acts that conflict with good business practices relating to market access or acts of prohibited speculation. The law is applicable to corporate bodies and natural persons engaged in economic activities regardless of their legal form, organization, or ownership. The law also applies to the actions of public companies.

Restriction of competition through cartel agreements, unfair competition (i.e., false advertising, promises/gifts in exchange for business, trade secrets, etc.), illicit speculation during times of irregular market situations, and dumping and subsidized imports are all prohibited. The government of the Republic of Slovenia may, however, prescribe market restrictions in the following cases: in cases of natural disasters, epidemics, states of emergency; in cases of appreciable market disturbances due to the shortage of goods; when necessary to satisfy requirements concerning the products, raw materials, and semi-finished goods of special or strategic importance to the defense of the Republic.

The legally prescribed tasks of protecting competition are performed by the Bureau for the Protection of Competition. The bureau initiates its own investigations of companies and also at the request of private companies. The bureau will then issue a decree against any company found to have violated the Law on the Protection of Competition, although it lacks the power to issue fines. The power to fine companies rest in the hands of Slovenia's courts. Any injured party trading in goods or services on the market may initiate legal proceedings in cases of unfair competition. Injured parties are entitled to compensation and the injunction of the unfair acts. The court may issue a minimum penalty of 3 million SIT against companies found to have engaged in cartel agreements, for abusing a dominant market position, for committing an act of unfair competition, and for illicit speculation. The managers and directors of the sanctioned company may be liable for a minimum fine of 250,000 SIT. Self-employed persons found to have committed any of the legally prohibited actions are liable for no less than 1 million SIT.

While the Bureau for the Protection of Competition has issued a number of decrees against companies for unfair practices, the courts have yet to issue a single monetary fine. Some of the cases have been sitting in the court system for two years since the final decree was issued by the bureau.

A.9 Efficient Capital Markets and Portfolio Investment

Slovenia's financial sector remains relatively underdeveloped for a country of Slovenia's prosperity. Enterprises rarely raise capital through the stock market. The shallowness of the sector militates against economies of scale, and despite shortcomings in the banking sector, capital is cheaper to acquire through banks than through more direct equity or debt sales.

Banking: The banking sector in Slovenia is marked by a relatively high level of concentration (three banks account for half of total banking assets and the top seven hold almost 75 percent market share), excessive capacity (24 banks, six savings banks, and 70 savings cooperatives operate in a country of 2 million people), and a low level of services. This means that a number of banks are unable to exploit economies of scale and have a relatively low level of productivity. The consequences can be seen in high margins and low return on equity.

The balance sheets of Slovenian banks are relatively strong, reflecting an early and aggressive program of bank rehabilitation the government launched in 1992. However the gaping differences between the balance sheets of the largest and the smallest banks seems to indicate that consolidation of the banking sector will soon become inevitable. One of the consequences of Slovenia's banking sector rehabilitation is that two of the country's three largest banks today are government-owned, although their privatization appears increasingly likely. The government has encouraged bank mergers as a means of dealing with the sector's excess capacity, so far to little effect.

New banking legislation authorizes banks, savings banks, and stockbroking firms unlimited purchase of securities abroad, on condition they operate on their own account. Investment funds may also purchase securities abroad provided certain diversification requirements are met.

Securities Markets: The Ljubljana Stock Exchange (LSE) was established in 1990 and underwent its most rapid growth in the 1994-1997 period, aided by the listing of new companies as part of the first phase of privatization in Slovenia. (A Commodity Exchange (CE), established in 1994, ceased operation in 1998.) Indeed, the LSE's role as a vehicle to achieve the transformation of enterprises is greater than its role of raising capital for listed companies. The LSE's function in transforming enterprises is likely to increase once privatization investment funds enter the market. For the time being, the assets of privatization investment funds are tied up in privatization vouchers for which corresponding capital is not presently available.

In 1997 LSE became a full member of the International Association of Stock Exchanges (FIBV). In spite of recent growth, however, securities markets remain relatively underdeveloped in Slovenia. Total LSE market capitalization (excluding shares of investment funds) at the end of 1998 amounted to 628 billion SIT (\$3.3 billion), which represents an increase

of 57 percent over the previous year. However, as a percentage of GDP this figure fell from 17 percent in 1997 to 15 percent in 1998. This is also a relatively illiquid market, with total annual turnover only about one-fourth of total market capitalization.

The LSE has two official listings -- A and B -- depending on the amount of a listing's capital, audited financial statements, size of the class of securities and securities distribution. The over-the-counter (C) market has less stringent requirements. The total turnover of A and B listings, as of the end of 1998, was 135 billion SIT (\$711 million); that of market C was 20.5 billion SIT (\$108 million).

In 1995, the Central Securities Clearing Corporation (KDD) was established. Its main activities are running the central registry of dematerialized securities and performing clearing of trades that are concluded on the LSE electronic trading system and transferred to KDD automatically. A Securities Market Agency (SMA), established in 1994, has powers similar to the SEC in the United States. It supervises investment firms, the LSE, the KDD, investment funds, and management companies and shares responsibility with the Bank of Slovenia for supervision of banking investment services.

The LSE uses different dissemination systems, including real time on-line trading information via REUTERS or using the BDS System. The LSE has also started publishing information on the Internet (<http://www.ljse.si>).

Slovenia's excellent credit rating, the launch of a series of international bond issues, the quality of traded Slovenian firms and Slovenia's excellent macroeconomic outlook have combined to attract considerable attention among foreign investors. Regulations of portfolio investment have been eased as well, shortening the minimum holding period for portfolio investment (less than 10 percent ownership) from seven to four years.

Insurance: This sector is relatively undercapitalized and marked by a high degree of protection, poor rates of return, and a preponderance of government ownership. Reforms in the insurance sector are on a gradualist path, and legislation is unlikely before the end of 1999.

A.10 Political Violence

But for a brief, 10-day conflict over Slovene independence in 1991, Slovenia has suffered no political violence. The hostilities to the south (Croatia, Bosnia-Herzegovina, Kosovo) had only indirect effects on Slovenian security and economic conditions, mainly related to the influx of refugees. Slovenia has normal diplomatic and commercial relations with all former Yugoslav republics, with the exception of the Federal Republic of Yugoslavia (Serbia-Montenegro).

A.11 Corruption

Similar to many other European countries, Slovenia does not have a bribery statute equal in stature to the U.S. Foreign Corrupt Practices Act. However, Chapter 24 of the Slovene Criminal Code (S.C.C.) provides for statutory provisions for criminal offenses against the economy. Corruption against the economy can be split into two forms: corruption among private firms and corruption among public officials.

The S.C.C. provides for criminal sanctions against officials of private firms for the following crimes: forgery or destruction of business documents, unauthorized use or disclosure of business secrets, insider trading, embezzlement, acceptance of gifts under certain circumstances, money laundering, and tax concealment.

Specifically, Articles 247 and 248 of the S.C.C. make it illegal for a person performing a commercial activity to demand or accept undue rewards, gifts, or other material benefits which will ultimately result in the harm or neglect of his business organization. While Article 247 makes it illegal to accept gifts, Article 248 prohibits the tender of gifts in order to gain an undue advantage at the conclusion of any business dealings.

Public officials are held accountable under Article 267 of the S.C.C. which makes it illegal for a public official to either request or accept a gift in order to perform or omit an official act within the scope of his official duties. The acceptance of a bribe by a public official may result in a fine or imprisonment of no less than one year up to a maximum sentence of five years. The accepted gift/bribe is also seized.

While Article 267 holds public officials accountable, Article 268 holds the offeror of the gift accountable. Article 267 makes it illegal for natural persons or legal entities to bribe public officials with gifts. Violation of this article carries a sentence of up to three years. However, if the offeror of the gift discloses such bribery before it is detected or discovered, punishment may be remitted. Generally, the gift is seized. However, if the offeror of the gift disclosed the violation, the gift may be returned to the offeror.

The state prosecutor's office is responsible for the enforcement of the foregoing anti-bribery provisions. The number of cases of actual bribery are few and are generally limited to instances involving inspection and tax collection. Although the prosecutor's office suspects bribery and related corruption practices in the government procurement offices, the ability to ascertain evidence is difficult, thereby making it equally difficult to prosecute. It is the embassy's view that corruption in Slovenia is on only a very minor scale.

B. Bilateral Investment Agreements

Slovenia has signed Bilateral Investment Agreements (BITs) with Albania, Belgium, Bosnia and Herzegovina, Bulgaria, China, Croatia, Czech Republic, Denmark, Egypt, Finland, France, Germany, Greece, Hungary, Israel, Italy, Lithuania, Macedonia, Malaysia, Netherlands, Poland, Portugal, Romania, Singapore, Slovak Republic, Spain, Sweden, Switzerland, Thailand, Ukraine, the United Kingdom, and Uzbekistan. BITs are under negotiations with Argentina, Canada, Chile, Kuwait, and Russia.

C. OPIC and Other Investment Insurance Programs

In July 1999 the Slovenian Export Corporation (SEC) and US EXIMBank signed a memorandum on cooperation in financing, insuring, and reinsuring exports to Southeast European countries.

The U.S. Overseas Private Investment Corporation and Slovenia signed a bilateral agreement on April 24, 1994. OPIC programs for investment finance and investment insurance currently available in Slovenia include

loan guarantees and direct loans, as well as political violence and expropriation insurance. The U.S. Export-Import Bank offers short-, medium-, and long-term private sector programs, and short-term public sector programs in Slovenia. Slovenia is also eligible for U.S. Trade and Development Agency Programs.

D. Labor

A large discrepancy exists between unemployment rates derived from registered unemployment and from ILO methodology (14.5 versus 7.9 percent). The ILO number shows a slightly better situation compared with other OECD country rates. The registration numbers need to be used carefully, as they tend to suffer from some shortcomings (e.g., covering those actually employed). Moreover, since social payments are made to those registered on unemployment rolls, the incentive to register may bias this number upward.

Total employment slightly increased in 1998 (by 0.2 percent). The number of registered unemployed declined at an accelerated pace in the first half of the year as discouraged job-seekers were deleted from the rolls (4 percent more if compared with 1997). In the fall, the number of (registered) unemployed began growing again. There is significant regional variance in this number, with large pockets of unemployed concentrated in areas where heavy industry supplied the Yugoslav and CMEA markets.

Slovenia's wage-setting practice is in the "social partners" mode, which is supposed to contain high wage demands by centralizing wage decisions. In practice, however, high wage expectations have pushed Slovenian wage levels far above those of Slovenia's central European neighbors, to about half the cost of Austrian labor. In Slovenia's favor is the fact that it has a well educated labor force that is the most productive of the transition economies, which allow it to be competitive in niche markets. Although complicated lay-off and redundancy procedures and severance costs have discouraged enterprise restructuring and kept labor costs high, a new labor law is likely to streamline these procedures and may lead to increased hiring and better retention.

Slovenian skills are especially strong in higher value-added activities where they capitalize on their strengths as good technicians and engineers available at a somewhat lower cost than in the developed West. However, Slovenia would benefit from stronger managerial skills, most notably in the banking and insurance sectors.

E. Foreign Trade Zones

Free trade zones (FTZs) are part of Slovenia's customs zones. Slovenia's FTZs are located in Celje, Ljubljana, Maribor, Nova Gorica, Sezana and Koper.

According to the Free Trade Zones Act from May 1998, FTZs may be used by domestic and foreign entities. The applicant for the FTZ shall meet the following requirements: at least 51 percent of the turnover in the FTZ must be generated by the export of goods manufactured and services performed in the FTZ; activities in the FTZ shall be a new line of business for the company; the total number of company's employees must be increased by doing business in the FTZ; persons founding a new company or a new branch office in the FTZ must have paid all taxes and customs duties.

The following activities can be performed in an FTZ: production and service activities; wholesale; banking and other financial services; insurance and reinsurance of persons and property; as well as retail for other users in FTZs. Goods can be moved free of restrictions into FTZs and may be stored there for an unlimited duration. Goods brought into FTZs are duty-free. Goods or products made from these goods can then be exported duty-free. The goods or products made from these goods can also be imported into Slovenia. In such a case, customs or other duties are normally payable on the importation of goods to Slovenia, as are storage costs and costs of other procedures concerned with the goods' processing in the FTZ and which are not part of the customs base.

Equipment intended for carrying out activities in FTZs as well as spare parts, tools and accessories for the equipment are exempt from customs duties for as long as they remain in the FTZ. (This does not hold for office furniture, office equipment and other administrative facilities, and motor vehicles that are not intended for exclusive use in FTZ.) Sales tax is not payable on equipment and raw materials entering FTZs on the condition that the equipment or materials are used for the production of goods for export.

Profit tax amounts to 10 percent. A tax deduction in the amount of 50 percent of the invested sum is offered for investments in tangible assets in the FTZ. The taxable income of companies in the zone shall be reduced by the amount equaling 50 percent of the salaries paid to the trainees and other staff who have been registered as unemployed for at least six months.

F. Foreign Direct Investment Statistics

Inward Foreign Direct Investment by End of 1998 grouped by countries

Country	Total Value (\$mil)	Share of Total
Austria	1090	38.07
Croatia	95	3.32
Germany	354.5	12.38
France	373.5	13.05
Italy	192	6.71
Great Britain	141	4.92
Switzerland	95	3.32
Denmark	39.5	1.38
United States	126	4.40
Netherlands	111.5	3.89
Other	245	8.56
Total	2863	100.00

Foreign Direct Investment by End of 1996 grouped by sectors

Sector	Total Value (\$mil)	Share of Total
Mfr of pulp, paper & paper products	254	8.87
Mfr. chemicals	220	7.68

Mfr. Of rubber & plastic	159	5.55
Machinery & equipment	150	5.24
Mfr. Of motor vehicles	190.5	6.65
Financial Intermediation	436	15.23
Other Business Activities	304	10.62
Wholesale Trade	243	8.49
Other	906.5	31.66
Total	2863	100.00

Outward Foreign Direct Investment by End of 1996 grouped by countries

Country	Total Value(\$mil)	Share of Total
Austria	47	7.20
Croatia	316	48.39
Germany	66	10.11
Yugoslavia	39	5.97
Poland	38	5.82
Bosnia	80	12.25
United States	64.5	9.88
Other	2.5	0.38
Total	653	100.00

Outward Foreign Direct Investment by End of 1996 grouped by sectors

Sector	Total Value(\$mil)	Share of Total
Financial intermediation	214	32.77
Chemical Products	84	12.86
Food	94	14.40
Mfr. of motor vehicles	24	3.68
Wholesale Trade	47	7.20
Other	190	29.10
Total	653	100.00

Chapter VIII Trade and Project Financing

The banking sector in Slovenia remains fairly rudimentary. Unlike many of the transition economies' banking industries, Slovenian banks have rather strong capital bases and robust loan portfolios. The prime weakness of Slovenian banking is a lack of dynamism. Banks are limited to a narrow range of traditional activities, disregarding areas such as new consumer services, investment banking, and management of more complex financial instruments. Nevertheless, the financial statements of Slovenian banks are in compliance with international standards and audited by internationally recognized auditors. In practice, this means that identifying financing for domestic projects will be problematic. Banks typically seek 100 percent collateral in most lending.

With the entry into force of Slovenia's Europe agreement and the intensification of discussions in Brussels over EU membership early 1999, Slovenia has taken some important steps to free up its financial markets. A combination of market forces and changes in Bank of Slovenia regulations and national legislation are moving this sector increasingly in a more globally oriented direction. In the future, it will become easier and more transparent to make both portfolio and direct investments in Slovenia and to conduct many financial operations, including banking, securities brokering, and undertaking various credit transactions. The banking sector is also showing signs of stirring from its relative torpor, as pressures to consolidate its myriad banks build and privatization of two of Slovenia's largest banks gradually gets underway.

There are no referential interest rates in Slovenia such as, for example, LIBOR. Banks set the interest rate in the form of TOM plus real interest. TOM is calculated as the arithmetical average of the past twelve months and is determined once a month. In 1999 it is estimated to be around twelve percent per annum. Real interest rates for loans amount to five percent or more, while real interest rates for savings are between two and six percent per annum.

There are other sources of financing available, although on a limited range of activities. The U.S. Export-Import Bank provides medium-term and long-term loans and guarantees, and OPIC offers loan guarantees and direct loans. The European Investment Bank and the International Finance Corporation are involved in funding large infrastructure projects, while the European Bank for Reconstruction and Development provides financing for banking sector privatization.

In July 1999 the Slovenian Export Corporation (SEC) and US EXIMBank signed a memorandum on cooperation in financing, insuring, and reinsuring exports to Southeast European countries.

Chapter IX Business Travel

Business Customs

During the period of socialism, the former Yugoslav federation was not a fully integrated part of the Eastern bloc. It had a unique, "self-management" economic system where management decisions were made at the firm level and frequently reflected market responsiveness. As a result, Slovenian business managers are quite familiar with Western-type market economy philosophy and customs.

Management style in Slovenia tends to concentrate decision-making on senior management; delegation of authority at companies is relatively poor. Thus, in principle, a negotiation should not be considered concluded unless confirmed by the general manager or a clearly acknowledged decision-maker in the company. Slovenes place a premium on personal contacts, and correspondence and visits play significant roles in the conduct of business in Slovenia. Clarity and continuity in communication are important.

Travel Advisory and Visas

There have been no travel advisories for Slovenia. There are no visas necessary for visits lasting less than three months. Application for a visa allowing an extended stay must be made from outside the country. An

entry visa for the purpose of work, education, training or other professional activities can be obtained at any Slovenian Embassy or Consulate. In the same way a business visa can be obtained on an exceptional basis (foreign investment, bilateral contacts, etc.).

Holidays

Jan 1 and 2	- New Year's Day
Feb 8	- Slovenian Cultural Day
March/April	- Easter Monday
April 27	- Day of Uprising Against Occupation
May 1 and 2	- Labor Day
May 31	- Whit Sunday
Jun 25	- Independence Day
Aug 15	- Assumption Day
Oct 31	- Reformation Day
Nov 1	- All Saints Day
Dec 25	- Christmas Day
Dec 26	- National Day

Business Infrastructure

- Transportation

Ljubljana is accessible by air. The international airport, Ljubljana-Brnik is located 27 kilometers from the capital city. The airport is serviced by the national carrier, Adria Airways, as well as other international airlines such as Aeroflot, Air France, Austrian Airlines, British Airways, Lufthansa, Swissair, and Air Bosna.

Slovenia's transportation system is good. Highways connect most cities, and numerous border crossings into neighboring countries are easily accessible. Air travel within Slovenia is not available, but is not necessary given the small size of the country. Rail is a popular and convenient form of travel. Major Slovenian cities have efficient public transportation systems, relying mainly on buses. Tokens for buses and trams can be purchased at newspaper stands or post offices. Fares can be paid in cash, at a somewhat higher tariff. Taxi service is readily available. Taxis are generally requested by telephone or at designated taxi-stands. Taxis are metered (a 10 percent tip is customary).

- Language and Communications

The official language in Slovenia is Slovene, a southern Slavic language with only some resemblance to Croatian or Serbian. Script is the standard Roman alphabet. Most businessmen in Slovenia speak foreign languages, with English the most predominant, although German is often useful in some parts of Slovenia. Use of Italian tends to be confined to the Italian border area. When necessary, translators can be hired at the Slovene Association of Conference Interpreters (phone: 386/61/317862; fax: 386/61/320131).

Slovenia has efficient postal and telephone services. Fax machines are widely used. The use of e-mail is increasingly available. Telephone calling card services are not available in-country, and long-distance charges tend to be high, even by European standards. In many areas only pulse telephone lines are available, though tone dialing availability is increasing.

The dialing code for Slovenia is 386, followed by area codes: Ljubljana (61), Maribor (62), Celje (63), Kranj (64), and Portoroz (66). To dial internationally from Slovenia, you must dial 00 before the country code. Operator assistance is 998.

- Accommodation and Food

Comfortable accommodation is available in all major cities in Slovenia. Office space or housing can be rented through a specialized local agency or by individual advertisements in local daily newspapers. A list of Slovenian real estate agencies is available from the American Embassy Ljubljana as is a list of English speaking physicians.

The food is typically of high quality and variety. Restaurants are relatively expensive. Credit cards (e.g., MasterCard, Visa, American Express and Diners Club) are widely accepted.

Chapter X Economic and Trade Statistics

Appendix A. Country Data

Population	1,986,848
Population Growth Rate	- 0
Religion	predominantly Roman Catholic
Government System	parliamentary democracy
Languages	Slovene; Italian, Hungarian in two localities
Work week	40 hours

Appendix B. Domestic Economy

	1998	1999(proj)	2000 (Est)
GDP Growth Rate	3.9	3.5	3.75
GDP per capita USD	9,864	10,248	11,126
Government Spending, percent of GDP		43.8	44.5
Inflation	7.9	6.8	6.2
Unemployment	7.9	8.0	8.0
Foreign Exchange Reserves USD mil.	4,767		
Average Exchange Rate for 1USD	166.1	177.0	179.0
Debt Service Ratio	13		
U.S. Economic Military Assistance			

Source: Bank of Slovenia, April 1999; Spring Report, June 1999 (IMAD)

Appendix C. Trade

(in USD millions)	1998	1999(proj)	2000 (Est)
Total Slovenia Exports	9,095	9,290	10,030
Total Slovenia Imports	9,870	10,190	10,980
U.S. Exports	295	307	323
U.S. Imports	252	265	279

Appendix D. Investment Statistics (see ICS)

Chapter XI U.S. and Country Contacts

Appendix E: U.S. and Country Contacts

Embassy of the United States of America
Marko Mlakar, Commercial Specialist
Prazakova 4, 1000 Ljubljana, Slovenia
Phone: 386/61/301427
Fax: 386/61/301401
Web site: www.usembassy.si

The Multilateral Development Bank Office
U.S. Department of Commerce
14th and Constitution, NW, Washington, D.C. 20007
Phone: 202/4823399
Fax: 202/4825179
Web site: www.mac.doc.gov/eebic/finangov/mldb.html

U.S. Department of Agriculture
Foreign Agricultural Service
Trade Assistance and Promotion Office
Phone: 202/7207420
Web site: www.fas.usda.gov

U.S. Department of Commerce
Central and Eastern Europe Business Information Center
Loren Drake, Desk Officer for Slovenia
Washington, D.C. 20230
Phone: 202/4822645
Fax: 202/5010787
Web site: www.iep.doc.gov/eebic/ceebic.html

Business Associations

Chamber of Small and Medium-Sized Enterprises
Mr. Miha Grah, President
Celovska c. 71, 1000 Ljubljana, Slovenia
Phone: 386/61/1593182
Fax: 386/61/559270

Slovenian Chamber of Commerce and Industry
Mr. Jozko Cuk, President
Dimiceva 13, 1000 Ljubljana, Slovenia
Phone: 386/61/1898413
Fax: 386/61/1898100
Web site: www.gzs.si

U.S. Business Council for Slovenia
Gary J. Wolf, President
Noel J. Burkhard, Administrative Officer
7 Broadway, Suite 1028
New York, N.Y. 10004
Phone: 212/4399025
Fax: 908/4399105

Slovenian Government

Bank of Slovenia
Dr. France Arhar, Governor

Slovenska 35, 1000 Ljubljana, Slovenia
Phone: 386/61/1719000
Fax: 386/61/215516
Web site: www.bsi.si

Development Corporation of Slovenia
Dr. Bogdan Topic, Director
Dunajska 160, 1000 Ljubljana, Slovenia
Phone: 386/61/1894800
Fax: 386/61/1894819

Embassy of the Republic of Slovenia
Dr. Dimitrij Rupel, Ambassador
1525 New Hampshire Ave. N.W., Washington, D.C. 20036
Phone: 202/6675363
Fax: 202/6674563

Institute for Macroeconomic Analysis and Development
Dr. Janez Potocnik, Director
Gregorciceva 27, 1000 Ljubljana, Slovenia
Phone: 386/61/1782112
Fax: 386/61/1782070
Web site: www.sigov.si/zmar

Ljubljana Stock Exchange
Dr. Drasko Veselinovic, General Manager
Slovenska 56, 1000 Ljubljana, Slovenia
Phone: 386/61/1710211
Fax: 386/61/1710213
Web site: www.ljse.si

Ministry of Agriculture and Forestry
Mr. Ciril Smrkolj, Minister
Dunajska 56-58, 1000 Ljubljana, Slovenia
Phone: 386/61/1789103
Fax: 386/61/1789013

Ministry of Agriculture, Forestry and Food
Veterinary Directorate
Mag. Zoran Kovac, Chief Veterinary Officer
Parmova 53, 1000 Ljubljana, Slovenia
Phone: 386/61/3001300
Fax: 386/61/1315320
Web site: www.sigov.si/vurs

Ministry of Agriculture, Forestry and Food
Phyto-Sanitary Department
Mrs. Jozi Jerman-Cvelbar, Department Head
Parmova 33, 1000 Ljubljana, Slovenia
Phone: 386/61/1362297
Fax: 386/61/1363343

Ministry of Culture
Mr. Jozef Skoljc, Minister
Cankarjeva 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1785900
Fax: 386/61/1785901
Web site: www.sigov.si/cgi-bin/spl/mk/eng/indexe.htm

Ministry of Defense
Dr. Franci Demšar, Minister
Kardeljeva ploščad 2, 1000 Ljubljana, Slovenia
Phone: 386/61/1331111
Fax: 386/61/1318164

Ministry of Economic Affairs
Dr. Tea Petrin, Minister
Kotnikova 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1783311
Fax: 386/61/1331031
Web site: www.sigov.si/mgd/mgd-ang.html

Ministry of Economic Relations and Development
Dr. Marjan Senjur, Minister
Kotnikova 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1783600
Fax: 386/61/1783522
Web site: www.sigov.si/meor

Ministry of Education and Sport
Mr. Slavko Gaber, Minister
Zupanciceva ulica 6, 1000 Ljubljana, Slovenia
Phone: 386/61/1785507
Fax: 386/61/1785669

Ministry of Environment and Physical Planning
Dr. Pavel Gantar, Minister
Zupanciceva 6, 1000 Ljubljana, Slovenia
Phone: 386/61/1787400
Fax: 386/61/1787422

Ministry of Finance
Mr. Mitja Gaspari, Minister
Zupanciceva 3, 1000 Ljubljana, Slovenia
Phone: 386/61/1785211
Fax: 386/61/1785655
Web site: www.sigov.si/mf/angl

Ministry of Foreign Affairs
Dr. Boris Frlec, Minister
Gregorciceva 25, 1000 Ljubljana, Slovenia
Phone: 386/61/1782000
Fax: 386/61/1782340
Web site: www.sigov.si/cgi-bin/spl/mzz/ang/index.htm

Ministry of Health
Dr. Marjan Jereb, Minister
Stefanova 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1786001
Fax: 386/61/1786058

Ministry of Health
Department of Health Inspection
Dr. Joze Samu, Chief Health Inspector
Parmova 33, Ljubljana, Slovenia
Phone: 386/61/1363402

Fax: 386/61/1363351

Ministry of Health
Food Department
Dr. Dunja Piskur-Kosmac, State Secretary
Stefanova 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1786001
Fax: 386/61/1786058

Ministry of the Interior
Mr. Borut Suklje, Minister
Stefanova 2, 1000 Ljubljana, Slovenia
Phone: 386/61/1725111
Fax: 386/61/1261141
Web site: www.mnz.si

Ministry of Justice
Mr. Tomaz Marusic, Minister
Zupanciceva 3, 1000 Ljubljana, Slovenia
Phone: 386/61/1785211
Fax: 386/61/210200
Web site: www.sigov.si/mp

Ministry of Labour, Family and Social Affairs
Mr. Tone Rop, Minister
Kotnikova 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1783450
Fax: 386/61/1783456

Ministry of Science and Technology
Mr. Lojze Marincek, Minister
Slovenska cesta 50, 1000 Ljubljana, Slovenia
Phone: 386/61/1311107
Fax: 386/61/1324140
Web site: www.mzt.si

Ministry of Transport and Telecommunications
Mr. Anton Bergauer, Minister
Langusova 4, 1000 Ljubljana
Phone: 386/61/1788000
Fax: 386/61/1788139

National Customs Administration
Mr. Franc Kosir, Director
Smartinska 130, 1523 Ljubljana
Phone: 386/61/1401044
Fax: 386/61/1402155
Web site: www.sigov.si/mf/angl/apredmf6.html

Office for Protection of Competition
Mr. Andrej Plahutnik, Director
Kotnikova 5, 61000 Ljubljana, Slovenia
Phone: 386/61/1783597
Fax: 386/61/1783608

Office for Protection of Intellectual Property (SIPO)
Dr. Bojan Pretnar, Director
Kotnikova 6, 1000 Ljubljana, Slovenia

Phone: 386/61/1783120
Fax: 386/61/1783110
Web site: www.sipo.mzt.si

Slovenian Export Corporation
Mr. Marjan Kramar, President
Ul. Josipine Turnograjske 6, 1000 Ljubljana, Slovenia
Phone: 386/61/1262238
Fax: 386/61/1253015

Standards and Metrology Institute
Dr. Ivan Skubic, Director
Kotnikova 6, 1000 Ljubljana, Slovenia
Phone: 386/61/1783000
Fax: 386/61/1783196

Statistical Office of the Republic of Slovenia
Mr. Tomaz Banovec, Director
Vozarski pot 12, 1000 Ljubljana, Slovenia
Phone: 386/61/1255322
Fax: 386/61/216932
Web site: www.sigov.si/zrs

Trade and Investment Promotion Office
Mr. Matej Kovac, Director
Kotnikova 28, 1000 Ljubljana, Slovenia
Phone: 386/61/1312358
Fax: 386/61/1783599
Web site: www.sigov.si/tipo

World Trade Center Ljubljana
Mr. Gregor Simoniti, Secretary General
Dunajska 156, 1000 Ljubljana
Phone: 386/61/344666
Fax: 386/61/1683480

Accounting

Arthur Andersen & Co.
Slovenska c. 5, 1000 Ljubljana, Slovenia
Phone: 386/61/1251200
Fax: 386/61/1252224

Coopers & Lybrand d.d.
Mr. Jure Sager, Director
Dunajska cesta 107, 1000 Ljubljana, Slovenia
Phone: 386/61/1682424
Fax: 386/61/1682032

Deloitte & Touche d.o.o.
Ms. Alenka Podbevsek, Director
Dunajska cesta 22, 1000 Ljubljana, Slovenia
Phone: 386/61/3072800
Fax: 386/61/3072900

Commercial Banks

Nova Ljubljanska banka d.d.

Mr. Marko Voljc, General Manager
Trg Republike 3, 1000 Ljubljana, Slovenia
Phone: 386/61/1250155
Fax: 386/61/223522
Web site: www.n-lb.si

SKB Banka d.d.
Ms. Cvetka Selsek, General Manager
Ajdovscina 4, 1000 Ljubljana, Slovenia
Phone: 386/61/1332132
Fax: 386/61/302808
Web site: www.skb.si

Chapter XII Market Research and Trade Events

Appendix F: Market Research

Due to the limited staff resources, market research services are not available from the American Embassy Ljubljana. The following are a few Slovenian market research agencies:

A Con d.o.o.
Ms. Ada Gorjup, General Manager
Copova 14, 1000 Ljubljana, Slovenia
Phone: 386/61/1741872
Fax: 386/61/1741876

ITEO d.d.
Mr. Slavko Mihelic, General Manager
Kotnikova 28, 1000 Ljubljana, Slovenia
Phone: 386/61/1720900
Fax: 386/61/1720960

MIT
Mr. Marko Korac, President
Kardeljeva ploscad 17, 1000 Ljubljana
Phone: 386/61/1685313
Fax: 386/61/342760

Appendix G: Trade Event Schedule

Calendar of Trade Fairs in 2000

April 13-16 Slovenian Finance Fair (Ljubljana)
April 13-17 International Fair for civil engineering and building materials
(Gornja Radgona)
April 16-18 International music fair (Celje)
April 17-25 Slovenian motor show (Ljubljana)
April 21-23 International fair for tools, tool manufacturing and machine
tools (Maribor)
April 21-23 International fair for plastics, rubber and chemistry (Maribor)
May 11-15 International fair for energy management (Maribor)
May 12-15 International fair of information technologies and office
equipment (Ljubljana)
May 12-15 Everything for the child (Celje)
May 12 International competition of spirits (Ljubljana)
May 12-16 International nautical exhibition (Portoroz)

May 18-21	Security (Ljubljana)
May 28-31	International viticulture and wine-production fair (Ljubljana)
Aug 21-29	Agriculture and Food Industry (Gornja Radgona)
Sep 11-20	International Craftsmanship Fair (Celje)
Sep 20-26	Slovenian furniture fair (Ljubljana)
Oct 4-8	International exhibition of professional electronics (Ljubljana)
Oct 20-24	International specialised fair for building and renovation (Celje)
Oct 25-26	INFOS Computer hardware and software (Ljubljana)
Okt 16-20	Products, Activities and Ideas for a healthy way of living (Ljubljana)
Nov 25-31	Sports and Recreation, Tourist offer of Sports Centers in Slovenia (Ljubljana)

Comparable events are likely to be held on similar 2000 dates.

Addresses of fair organizers:

Ljubljana

Ljubljanski sejem d.d.
Dunajska 10, 1000 Ljubljana
Tel: 386-61-1735331, fax: 386-61-1735232

Infos d.o.o.
Lepi pot 6, 1000 Ljubljana
Tel: 386-61-1250769, fax: 386-61-222487

Cankarjev dom
Presernova 10, 1000 Ljubljana
Tel: 386-61-1767100, fax: 386-61-217481

Celje

Celjski sejem d.d.
Deckova 1, 3102 Celje
Tel: 386-63-433000, fax: 386-63-33098

Portoroz

Marina Portoroz
Cesta solinarjev 8, Portoroz
Tel: 386-66-471100, fax: 386-66-471510

Gornja Radgona

Pomurski sejem d.d.
Cesta na stadion 2, 9250 Gornja Radgona
Tel: 386-69-61000, fax: 386-69-61488

Maribor

Sejmar d.o.o.
Pristaniska 8, 2000 Maribor
Tel: 386-62-212051, fax: 386-62-214825

Step d.o.o.
Kersnikova 5, 2000 Maribor
Tel: 386-62-20671, fax: 386-62-20692